Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Bi-weekly Bulletin

July 14, 2006 Volume 19 Number 10

BRAZIL

Brazil is one of the largest soybean producers in the world and has become the second largest exporter of soybeans. Its long-term potential to increase the production of soybeans at a low cost is one of the main factors to watch in relation to infrastructure and credit problems which constrain expansion. It has also played a major role in the on-going negotiations of the World Trade Organization as the leader, along with India, of the Group of Developing countries (G20). It is also a leader in the production and use of ethanol derived from its high sugar production. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Brazil for grains, oilseeds, pulses and special crops.

Introduction

Agriculture contributes 10% to Brazil's Gross Domestic Product (GDP) and employs 20% of the country's labour force. If agriculture related sectors, such as; packaging, crop inputs, biofuels and agricultural equipment are included, Agriculture would contribute nearly 30% to the GDP.

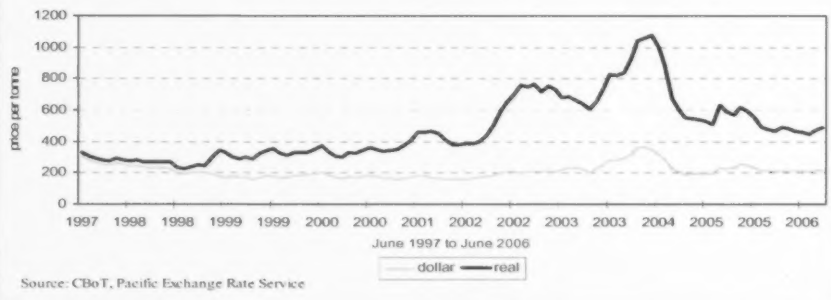
The main agriculture products produced in Brazil are: coffee, soybeans, wheat, rice, corn, sugar cane, cocoa, citrus, beef and poultry. The main exports are: cocoa, coffee, soybeans, beef, poultry, tobacco, orange juice, various tropical fruits and nuts.

Brazil faces major competitors on the international market from United States (US), the European Union (EU), Canada, Australia, New Zealand and other emerging nations such as Thailand, Malaysia, South Africa, Mexico and Chile.

Canadian agri-food exports to Brazil have declined steadily from CAN$394 million (M) in 1996 to CAN$39M in 2005. This is largely due to the depreciation of the Brazilian *real* (R), along with competition from Mercosur countries, in which wheat exports, Canada's dominant export to Brazil, were replaced by less expensive Argentine wheat. Canada continues to have a substantial negative trade balance with Brazil (CAN$512M in 2005) for agricultural and agri-food products, despite the fact that Brazil is a large importer. Canada's market share of Brazilian imports was less than 1% in 2005.

The successful negotiation of the Canada-Brazil Consultative Committee on Agriculture in June 2006 will provide both countries an instrument to improve the bilateral relationship and work strategically together towards areas of mutual interest. However, further branding and promotion by Agriculture and Agri-Food Canada's interdepartmental Brazil Team, will be necessary in order to gain a more balanced agri-food trading relationship with Brazil.

CHICAGO BOARD OF TRADE: MONTHLY SOYBEAN PRICES *(IN US DOLLARS AND BRAZILIAN REALS)*



Source: CBoT, Pacific Exchange Rate Service

Agriculture Policy

Brazilian agricultural policy is based on two main tools: credit and income guarantees to producers. Credit is provided for working capital, marketing, storage, and investment. Income guarantees rely on a set of devices developed under the Minimum Guaranteed Price Policy to support prices and producers' income.

Government credit is by far the dominant source of financing available to agricultural producers. The credit system provides financial resources at subsidized fixed, low-interest rates through separate production and marketing programs (60%), investment programs (30%), and programs for financing agribusinesses at market rates (10%).

Brazilian agriculture has been in a financial crisis. The *real* has appreciated by 29% for the past three years, from 3.07 reals per US dollars (R/US$) in 2003 to 2.19 R/US$ for 2006 to date. This is in comparison to a depreciation of 185% from 1997 to 2003. The recent appreciation of the *real* depressed domestic prices significantly. The Chicago Board of Trade (CBoT) soybean future prices in US dollars decreased by 28%, from US$297 per tonne (/t) for 2003-2004 to US$/214/t for 2005-2006 to date. For the same period, CBoT soybean prices in reals decreased by 46% from 878 R/t to 474 R/t.

The rising energy price has significantly raised input costs for Brazilian producers, such as fertilizer, machinery and transportation costs. As a result, local soybean prices have been below production costs in some areas. Producers have been unable to pay off their debts and farmland

prices have been declining sharply. The drought and soybean rust made the situation even worse.

On April 6, 2006 the Minister of Agriculture, Roberto Rodrigues, announced an aid package of $14.7 billion (G) reals (US$6.9G) to alleviate financial difficulties. This is the second year in a row that the Brazilian government has helped farmers with an aid package.

On May 12, 2006, the Brazilian government announced a plan offering US$470M in price supports to soybean growers. On May 26, 2006, the government announced another aid package primarily for debt deferments up to 4 years. Soybean farmers are struggling with low prices, a 75% increase in internal transportation costs and sharply higher fertilizer, fuel and rust control chemical costs.

The Brazilian government's support to producers has been very low, amounting to about 3% of the value of production in 2004. Only a small portion of the latest aid package will provides a subsidy, and therefore will not likely affect production or trade. The aid is expected to increase Brazil's level of producer support by an additional percentage point in 2006.

Trade Agreements

Mercosur, the Southern Common Market customs union, was formed in 1991 by Brazil, Argentina, Paraguay and Uruguay. Venezuela became the fifth member on July 4, 2006. There are currently five associate members of Mercosur, i.e. Bolivia, Colombia, Ecuador, Peru, and Chile.

Mercosur is presently involved in 24 trade dialogues and negotiations, with partners such as India, the South African Customs Union, Egypt, Morocco, China and Mexico. In 2004, Mercosur signed a trade agreement with the Andean Community comprised of Bolivia, Columbia, Ecuador, Peru and Venezuela.

On May 11, 2005 Mercosur signed a free trade zone frame agreement with the Gulf Cooperation Council, consisting of Saudi Arabia, Bahrain, Qatar, the United Arab Emirates, Kuwait, and Oman.

Wheat

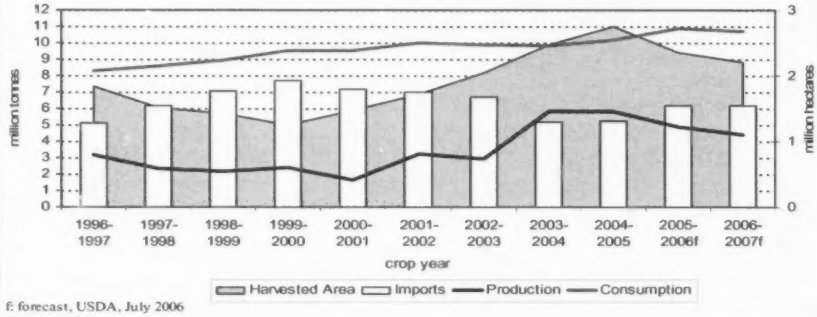
Brazil is one of the world's five leading wheat importers. Over the last five years, Brazilian wheat imports averaged 6.4 million tonnes (Mt), accounting for 65% of the total domestic consumption. Over the past ten years, while wheat consumption increased steadily, wheat imports have been relatively stable, as seeded area and production increased. However, wheat area was still small, at about 11% and 17% of the area harvested for soybean and corn, respectively.

For 2005-2006, wheat production decreased to 4.9 Mt, 17% below 2004-2005, as heavy rains during harvest led to a fall in harvested area and lower yields. Imports are forecast to rise by 19% to 6.2 Mt, mostly from Argentina, Paraguay and the US. Brazilian wheat imports from the US are largely Hard Red Winter (HRW) wheat. Brazil has not historically been a wheat exporter. However, in 2003-2004, it exported 1.3 Mt of wheat due to excessive supplies of medium to lower quality wheat. In 2005-2006, Brazilian exports are estimated at 0.75 Mt.

For 2006-2007, area seeded is forecast to fall slightly and, assuming average yields, production is forecast to decrease by 10% to 4.4 Mt, with imports unchanged at 6.2 Mt and exports declining to 0.03 Mt.

Brazil was an important wheat market for Canada and Canadian exports averaged 1.4 Mt during the 1991-1992 to 1995-1996 period. However, Canadian wheat exports to Brazil have decreased significantly since then. With the establishment of the Mercosur, a 10% tariff differential plus a

BRAZIL: WHEAT SUPPLY AND DISPOSITION



f: forecast, USDA, July 2006
Source: USDA

BIOFUELS

Brazil is the world's largest producer of biofuels, producing 16.5 billion litres (GL) and exporting over 2.0 GL of ethanol in 2005. In Brazil, renewable fuels account for over 20% of transportation fuels.

The Brazilian government began a National Fuel Alcohol Program in the 1970s to increase the share of domestically produced fuel used in the transportation sector. The original program was eliminated but the government still provides support to ethanol production through a combination of market regulation and tax incentives. Primary support through market regulation takes the form of an official blending ratio of ethanol with gasoline of between 20-25% in transportation fuel.

In Brazil, ethanol is produced from sugarcane, which is a more efficient source of fermentable carbohyrates as well as much easier to grow and process. One tonne of harvested sugarcane contains about 145 kilograms (kg) of dry fiber (bagasse) and 138 kg of sucrose. If the cane is processed for ethanol and all the sucrose is used, 72 L of ethanol is produced. Vehicles that can run on ethanol, gasoline or a mixture of the two account for 70% of all vehicles manufactured in Brazil. The US produced 16.2 GL of fuel ethanol and imported 500 ML almost all from Brazil, in 2005. As a low cost ethanol producer, Brazil may be interested in exporting ethanol to Canada. However, Canada has an import tariff of CAN$0.0492 per litre on ethanol.

On October 30, 2002, Brazil introduced the Prodiesel program to develop technology for the production, industrialization, and use of biodiesel, and its mixtures with diesel using pure and residual veg oils. The Brazilian government has also enacted a law establishing biodiesel obligations: 2% by the end of 2007 (800 ML per year) and a final goal of 20% by 2020 (12 GL per year).

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CANADA: GRAINS AND OILSEEDS OUTLOOK

June 27, 2006

Statistics Canada (STC) estimates that the areas seeded to non-durum wheat, oats, corn, mixed grains, flaxseed and soybeans have increased for 2006, while areas for durum wheat, barley, canola, rye and summerfallow have decreased. Crop development and condition is, in general, normal. It is assumed that precipitation will be normal for the growing and harvest periods and that quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are good in most areas, although there are areas which are too dry and other areas which have excessive moisture. The abandonment rate is expected to be normal. However, in north-eastern Saskatchewan it is estimated that more than 400,000 hectares will not be seeded this year due to excessive moisture, and the AAFC harvested area projections have been adjusted accordingly.

AAFC forecasts that total production of grains and oilseeds in Canada will decline by 6% from 2005-06, to 63 million tonnes (Mt), above the 10-year average of about 60 Mt. In western Canada, production is forecast to decline by 7%, to 47.3 Mt, with eastern Canadian production down by 2%, at 15.5 Mt. Exports and domestic use are expected to increase in 2006-07. Non-durum wheat, canola, feed barley and corn prices are expected to increase from 2005-06, while durum, oat, flaxseed and soybean prices are expected to decrease. Prices will continue to be pressured by the strong Canadian dollar. The major factors to watch are: growing conditions in the US corn belt, US and Canadian spring wheat crop conditions, the biofuel market, ocean freight rates and the Canada/US exchange rate.

DURUM

For 2006-07, production is forecast to decrease by 35% due to lower area seeded and yields. This is partly offset by higher carry-in stocks. Supply is forecast to fall by 16% to 7.1 Mt, but remain 8% above the 10-year average. Exports are expected to decrease by 9%, due to increased production in North Africa and the EU, the major importing regions. Carry-out stocks are forecast to fall by 27%, but remain 22% above the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) is below 2005-06 for most grades due to lower demand and the strong Canadian dollar. The discount of No.1 CWAD 11.5 durum to No.1 CWRS 11.5 wheat is projected at $17/t, the largest on record.

WHEAT (ex-durum)

Production is forecast to increase by 8%, with the larger harvested area only partly offset by lower expected trend yields. Higher carry-in stocks will also contribute to increased supply. Exports are forecast to increase by 25% due to record production of 2.4 Mt in Ontario and increased supply of high quality wheat in western Canada. Wheat feeding is expected to decline, due to reduced supplies of feed wheat. Carry-out stocks are expected to decline by 10%, to a level close to the 10-year average. The CWB PRO for most grades/classes is up from 2005-06 due to higher world prices, which more than offset the strong Canadian dollar. However, the premiums for high protein No.1 CWRS are forecast to decrease due to the expected better quality of the 2006 Canadian and US HRS crops.

BARLEY

Production is forecast to decrease by 12% due to lower area and yields. Lower carry-in stocks will also contribute to a 13% decrease in supply. Exports are forecast to decrease by 19%, as lower feed barley exports are only partially offset by higher exports of malting barley. Despite lower exports and domestic feed use, carry-out stocks are forecast to fall significantly. The average off-Board feed barley price (No.1 CW, in-store Lethbridge) is forecast to increase by $20/t from 2005-06 to $130/t. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is $113/t, vs. $122/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley is $161/t vs. $170/t for 2005-06, due to strong export competition from Australia.

CORN

Production is forecast to decrease by 6% as a result of lower yields. Imports are forecast to increase significantly from 2005-06, as a result of lower domestic supply and strong demand for animal feed and ethanol. Carry-out stocks are forecast to drop by 22%. The average price at Chatham elevator is forecast to increase by $20/t due to higher US corn prices.

OATS

Production is forecast to increase by 17% due to larger area and a return to normal abandonment rates. Supply is expected to increase as higher production more than offsets lower carry-in stocks. Exports are forecast to rise marginally from 2005-06, as a result of strong US import demand. Although feed use is expected to rise significantly, carry-out stocks are projected to rise by 22%. Chicago Board of Trade oat nearby futures prices are forecast to decrease by Cdn$15/t from 2005-06 to Cdn$125/t, narrowing the US price premium for oats over corn.

CANOLA

Production is forecast to decrease by 16% to 8.1 Mt because of slightly lower area and yields. Supply is expected to decrease by 6%, but remain historically high, due to burdensome carry-in stocks. Exports are forecast to remain at the record setting pace of 2005-06 largely due to reduced competition from the EU-25 and increased European bio-diesel production. Domestic crush is forecast to rise slightly following expansions to some processing plants. Carry-out stocks are forecast to fall but will remain significantly above the 10 year average. Prices are expected to rise from the low of 2005-06, but will be pressured by lower US soyoil prices.

FLAXSEED (excluding solin)

Production is forecast to decrease by 6% due to lower yields. Supply is expected to rise sharply because of burdensome carry-in stocks resulting from high production in 2005-06 and low EU imports. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to a burdensome 0.75 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to decrease by 6%, as lower yields more than offset the rise in area. Supply is forecast to decrease as reduced output more than offsets the projected rise in imports and carry-in stocks. Exports are forecast to increase to a record high, while domestic crush increases slightly from 2005-06. Although carry-out stocks are forecast to fall, prices are expected to pressure by lower US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 27, 2006

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
	thousand ha		*t/ha*	*thousand metric tonnes*								*$/t*
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006F	2,341	2,297	2.58	5,915	1	8,436	4,050	255	671	1,086	3,300	179*
2006-2007F	1,725	1,710	2.24	3,825	1	7,126	3,700	260	566	1,026	2,400	175**
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006F	7,753	7,530	2.77	20,860	19	26,351	12,000	2,870	4,385	8,151	6,200	186*
2006-2007F	9,025	8,700	2.58	22,475	10	28,685	15,000	3,100	4,125	8,085	5,600	192**
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006F	10,094	9,826	2.72	26,775	20	34,787	16,050	3,125	5,056	9,237	9,500	
2006-2007F	10,750	10,410	2.53	26,300	11	35,811	18,700	3,360	4,691	9,111	8,000	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,358	10,019	3,489	112
2005-2006F	4,440	3,889	3.21	12,481	45	16,015	2,700	260	9,650	10,315	3,000	105-115
2006-2007F	4,090	3,510	3.11	10,930	30	13,960	2,200	270	9,085	9,760	2,000	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100
2005-2006F	1,124	1,096	8.63	9,461	1,600	12,862	250	2,500	8,297	10,812	1,800	90-110
2006-2007F	1,135	1,105	8.01	8,855	2,900	13,555	200	3,300	8,640	11,955	1,400	110-130
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006F	1,853	1,326	2.59	3,432	15	4,435	1,700	140	1,525	1,835	900	135-145
2006-2007F	2,205	1,555	2.57	4,000	10	4,910	1,750	140	1,745	2,060	1,100	115-135
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	69
2005-2006F	226	148	2.42	359	1	505	120	48	160	225	160	70-80
2006-2007F	205	134	2.24	300	1	461	110	48	156	221	130	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006F	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	230	121	2.85	345	0	345	0	0	345	345	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,902	2,828	19,342	22,749	6,424	
2005-2006F	7,852	6,568	3.96	26,036	1,661	34,121	4,770	2,948	19,936	23,491	5,860	
2006-2007F	7,865	6,425	3.80	24,430	2,941	33,231	4,260	3,758	19,971	24,341	4,630	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006F	5,491	5,283	1.83	9,660	125	11,415	5,000	3,400	470	3,915	2,500	270-290
2006-2007F	5,420	5,156	1.58	8,125	150	10,775	5,000	3,450	480	3,975	1,800	270-310
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	842	803	1.35	1,082	40	1,152	425	n/a	n/a	227	500	275-285
2006-2007F	858	800	1.26	1,010	20	1,530	550	n/a	n/a	230	750	225-265
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006F	1,176	1,169	2.70	3,161	300	3,731	1,250	1,600	461	2,181	300	215-225
2006-2007F	1,210	1,197	2.48	2,970	350	3,620	1,350	1,650	270	2,020	250	195-235
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	4,641	927	5,743	1,929	
2005-2006F	7,510	7,255	1.92	13,904	465	16,298	6,675	5,000	931	6,323	3,300	
2006-2007F	7,487	7,154	1.69	12,105	520	15,925	6,900	5,100	750	6,225	2,800	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,085	77,703	23,715	10,568	25,325	37,643	16,345	
2005-2006F	25,456	23,650	2.82	66,715	2,146	85,206	27,495	11,073	25,923	39,050	18,660	
2006-2007F	26,103	23,989	2.62	62,835	3,472	84,967	29,860	12,218	25,412	39,677	15,430	

(a) Crop year is August-July except corn and soybeans which are September-August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Totals excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook – May 25, 2006

** CWB PRO - June 22, 2006

F: Forecast; Agriculture and Agri-Food Canada — June 27, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

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CANADA: PULSE AND SPECIAL CROPS OUTLOOK

June 27, 2006

For 2006-07, the total area seeded to pulse and special crops in Canada decreased by 12% from 2005-06, as higher areas for dry peas, chickpeas and buckwheat were more than offset by lower areas for lentils, dry beans, mustard seed, canary seed and sunflower seed. Statistics Canada's (STC) seeded area survey, conducted during May 24 to June 4 and released on June 22, provided estimates for most pulse and special crops by province, but for some of the smaller producing provinces the area seeded has been forecast by AAFC. Crop development and condition is, in general, normal. It is assumed that precipitation will be normal for the growing and harvest periods and that quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are good in most areas, although there are areas which are too dry and other areas which have excessive moisture. The abandonment rate is expected to be normal, except for dry peas and canary seed in Saskatchewan for which slightly higher than normal abandonment is forecast because of excessive moisture in north-eastern Saskatchewan, where a significant portion of these crops are produced.

Total production in Canada is forecast to decrease by 16%, from 2005-06, to 4.47 million tonnes (Mt). Total supply is expected to decrease by 11% to 5.98 Mt, as higher carry-in stocks offset some of the decrease in production. Exports, domestic use and carry-out stocks are forecast to decrease because of lower supply. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed, canary seed and sunflower seed, decrease for dry beans and chickpeas, and be the same for buckwheat. The stronger Canadian dollar, compared to the US dollar, is expected to have the largest impact on dry bean and sunflower seed prices, as Canadian prices for these crops are directly related to US prices. The main factors to watch are weather conditions, especially precipitation, during the growing and harvest periods in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in the major producing regions, especially the United States, the European Union, Turkey, Australia, India and Mexico.

DRY PEAS

For **2006-07**, production and supply are forecast to decrease, as lower yields and higher abandonment more than offset the 4% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is expected to remain stable at 12.2 Mt as higher production, mainly in the US and EU, is offset by lower carry-in stocks. Canadian exports are forecast to decrease because of lower Canadian supply and lower demand in the EU feed markets. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 8%. The average price, over all types, grades and markets, is expected to rise from 2005-06 due to lower Canadian supply.

LENTILS

For **2006-07**, production and supply are forecast to decrease sharply due to a 34% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils, but increase for red lentils. Carry-in stocks are forecast to be high for green lentils, but low for red lentils. World supply is forecast to decrease marginally to 4.54 Mt, due to a fall in the supply of green lentils. Canadian exports are expected to increase because of a higher supply of red lentils. Carry-out stocks are forecast to decrease sharply, with a s/u of 41%. The average price is forecast to increase for green lentils, but decrease for red lentils as the supply of green lentils decreases, while the supply of red lentils increases. Over all types and grades, the average price is forecast to increase.

DRY BEANS

For **2006-07**, production is expected to increase marginally, as a 15% lower seeded area is more than offset by lower abandonment and higher yields. Production is forecast to be similar to 2005-06 for all classes of dry beans, white pea, pinto, Great Northern, dark and light red kidney, cranberry, black, small red and pink. Supply is expected to increase slightly because of higher carry-in stocks. In the US, production is expected to decrease by 8% to 1.09 Mt, while supply decreases only marginally to 1.32 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 7%. The average price, over all classes and grades, is forecast to decrease because of the higher Canadian supply and the stronger Canadian dollar.

CHICKPEAS

For **2006-07,** production and supply are forecast to increase, as an 82% higher seeded area more than offsets lower yields. Production is forecast to increase for all types, large kabuli, small kabuli and desi. World supply is expected to decrease by 2% to 9.0 Mt, as an increase for the kabuli type is more than offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 13%. The average price, over all types and grades, is forecast to fall due to higher world supply of the kabuli type, which accounts for about 80% of Canadian production, although the price of the desi type is forecast to increase.

MUSTARD SEED

For **2006-07**, production and supply are forecast to decrease because of a 34% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is expected to be low quality seed. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease sharply, with a s/u of 34%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For **2006-07**, production and supply are forecast to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 21% to 345,000 t. Canadian exports are expected to decrease slightly due to higher prices, while carry-out stocks decrease sharply, with a s/u of 43%. The average price is forecast to rise because of the lower supply.

SUNFLOWER SEED

For **2006-07**, production and supply are forecast to increase as a 15% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is expected to decrease by 15% to 1.63 Mt. Canadian exports are forecast to increase because of the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 15%. The average price, over both types, is forecast to increase only slightly, as support from lower US supply is mostly offset by pressure from higher Canadian supply and the stronger Canadian dollar.

BUCKWHEAT

For **2006-07**, Canadian production and supply are forecast to increase due to higher seeded area. The average price is expected to be the same as in 2005-06.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

June 27, 2006

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e)
	thousand ha		t/ha	thousand metric tonnes						$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006f	1,366	1,319	2.35	3,100	90	3,785	2,400	1,035	350	110-130
2006-2007f	1,420	1,349	2.18	2,940	100	3,390	2,100	1,040	250	110-140
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006f	884	862	1.48	1,278	10	1,533	640	313	580	220-240
2006-2007f	587	558	1.24	690	10	1,280	670	240	370	235-265
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	278	20	5	650
2005-2006f	197	175	1.85	324	35	364	295	44	25	485-505
2006-2007f	168	166	1.96	325	30	380	310	45	25	455-485
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006f	79	73	1.42	104	8	117	75	37	5	470-490
2006-2007f	144	132	1.21	160	5	170	110	40	20	385-415
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	212	206	0.98	201	1	396	135	86	175	255-275
2006-2007f	140	135	0.89	120	1	296	140	81	75	285-315
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	190	186	1.22	227	0	397	180	32	185	180-200
2006-2007f	125	117	0.98	115	0	300	175	35	90	195-225
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	93	75	1.19	89	25	132	45	67	20	335-355
2006-2007f	79	74	1.49	110	20	150	60	70	20	335-365
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.33	8	1	9	4	5	0	345-365
2006-2007f	10	9	1.00	9	1	10	5	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,947	1,703	1,232	
2005-2006f	3,028	2,902	1.84	5,331	170	6,733	3,774	1,619	1,340	
2006-2007f	2,673	2,540	1.76	4,469	167	5,976	3,570	1,556	850	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, June 27, 2006

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

July 10, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	July 10, 2006	FOB	143.00	N/A	137.00	140.00		254.50	152.00	98.00		1025.00	520.00					385.00
BC (4) (7)	July 03, 2006		143.00	N/A	137.00	140.00		252.00	152.00	98.00		1025.00	520.00					385.00
Calgary	July 10, 2006	FOB	114.00	N/A	111.00	130.00		249.00			130.00	1050.00	330.00					420.00
AB (4)	July 03, 2006		114.00	N/A	111.00	130.00		249.00			130.00	1050.00	330.00					420.00
Saskatoon	July 10, 2006	FOB	111.00	145.00	93.50	125.00		256.00	N/A		140.00	N/A	430.00			122.33		420.00
SK (4)	July 03, 2006		114.00	140.00	95.00	125.00		253.50	N/A		140.00	N/A	430.00			121.67		420.00
Winnipeg	July 10, 2006	FOB	146.00	140.00	112.50	122.00		238.50	N/A		260.00	1112.50	515.00					380.00
MB (4) (9)	July 03, 2006		146.00	140.00	112.50	122.00		236.00	N/A		260.00	1112.50	515.00					380.00
Thunder Bay	July 10, 2006	In-Store	135.00	N/A	107.50													
ON (8)	July 03, 2006		138.45	N/A	112.95													
Lake Ports	July 10, 2006	On Board				111.01												
USA (3)	July 03, 2006	Vessel				103.22												
Bay Ports	July 10, 2006	In-Store	162.00	210.00	132.00													
ON	July 03, 2006		162.00	210.00	132.00													
Chatham	July 10, 2006	Track				103.62												
ON	July 03, 2006					96.36												
Toronto	July 10, 2006	N/A					FOB				171.00		385.00	N/A	N/A		275.00	332.00
ON (5)	July 03, 2006										171.00		385.00	N/A	N/A		268.00	330.00
Hamilton	July 10, 2006	N/A						228.07	N/A									
ON	July 03, 2006							232.25	N/A									
Eastern	July 10, 2006	FOB				112.50												
ON	July 03, 2006					108.50												
London	July 10, 2006	FOB												340.00	75.00			
ON	July 03, 2006													340.00	75.00			
Port Colborne	July 10, 2006	FOB								56.50				340.00	75.00			
ON	July 03, 2006									48.50				340.00	75.00			
Cardinal	July 10, 2006	FOB												345.00	90.00			
ON	July 03, 2006													345.00	90.00			
Montreal	July 10, 2006		165.00	160.00	143.00	125.00		234.16	173.80	91.00	175.00	850.00	416.00	N/A	N/A		270.00	360.00
QC (5)	July 03, 2006		165.00	160.00	143.00	125.00	FOB	245.75	179.28	82.33	175.00	850.00	416.00	N/A	N/A		270.00	360.00
Trois-Rivières	July 10, 2006	In-Store	175.00		156.90	132.37												
QC	July 03, 2006		168.90		152.90	130.31												
St. Jean QC (2)	July 10, 2006	FOB	156.00	136.50	133.98	126.23		246.64										
St. Hyacinthe QC	July 03, 2006		150.48	136.25	134.23	123.22		243.04										
Quebec	July 10, 2006	In-Store	168.00	N/A	164.29	126.24		236.32	172.88									
QC	July 03, 2006		167.97	N/A	165.79	129.58		255.10	205.10									
Truro	July 10, 2006	Track	198.36	N/A	168.40	160.01		275.51	201.36		233.10		532.00					360.00
NS	July 03, 2006		197.56	N/A	168.40	156.72	FOB	276.04	201.36		233.10		532.00					360.00
Truro	July 10, 2006	Water	N/A	N/A	N/A	N/A												
NS	July 03, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	July 10, 2006	In-Store	177.45	N/A	N/A	154.15		293.30	239.45	297.50		N/A						
NS (6)	July 03, 2006		177.95	N/A	N/A	150.70		295.10	238.55	297.50		N/A						

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close **US$1.00 = CAN$ 1.1134** **Closing date July 7/2006**

Contact: André Doumbè Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 10, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week July 10, 2006	Last week June 26, 2006	Month ago June 12, 2006	Year Ago July 11, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	132.00	134.00	137.00	109.00
(CBOT)		Oat	195.00	202.00	186.50	169.00
(Lethbridge)		Barley	110.00	114.00	107.00	112.50
To: Bayport, ON (1)	In-store	Wheat	155.61	157.61	160.61	132.61
		Oat	N/A	N/A	N/A	N/A
		Barley	137.39	141.39	134.39	139.89
Montreal, QC (1)	In-store	Wheat	160.03	162.03	165.03	137.03
		Oat	N/A	N/A	N/A	N/A
		Barley	142.31	146.31	139.31	144.81
Moncton, NB	Truck via Halifax	Wheat	182.25	184.25	187.25	159.25
		Oat	N/A	N/A	N/A	N/A
		Barley	166.50	170.50	163.50	169.00
Truro, NS	Truck via Halifax	Wheat	176.22	178.22	181.22	153.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.00	168.00	161.00	166.50
Halifax, NS (1)	In-store	Wheat	167.28	169.28	172.28	144.28
		Oat	N/A	N/A	N/A	N/A
		Barley	150.30	154.30	147.30	152.80
Stephenville, NL	Track / Truck via Sydney	Wheat	230.63	232.63	235.63	207.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week July 10, 2006	Last Week June 26, 2006	Month Ago June 12, 2006	Year Ago July 11, 2005
Corn						
From: US Lake Port	On Board Vessel		110.90	110.18	107.66	112.10
To: Montreal, QC (1)	In-store		129.94	129.22	126.70	131.14
From: Chicago (IL)	Track		110.02	106.23	104.18	110.66
To: Montreal, QC	Track		138.88	135.09	133.04	139.52
From: Chatham, ON	Track		103.52	103.05	105.06	111.99
To: Montreal, QC	Track		127.39	126.92	128.93	135.86
Soymeal 48% Protein						
From: Hamilton, ON			228.07	232.25	227.74	233.14
To: Montreal, QC	Track		252.40	256.58	252.07	257.47
Moncton, NB	Track		271.15	275.33	270.82	276.22
Truro, NS	Track		274.37	278.55	274.04	279.44
Stephenville, NL	Track / Truck via Sydney		323.00	327.18	322.67	328.07

1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

June 26, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	June 26, 2006	FOB	143.00	N/A	137.00	140.00		252.00	152.00	98.00		1025.00	520.00					385.00
BC (4) (7)	June 19, 2006		143.00	N/A	137.00	140.00		254.50	152.00	98.00		1025.00	520.00					385.00
Calgary	June 26, 2006	FOB	114.00	N/A	111.00	130.00		246.50			130.00	1050.00	430.00					390.00
AB (4)	June 19, 2006		114.00	N/A	111.00	130.00		252.50			125.00	1050.00	430.00					390.00
Saskatoon	June 26, 2006	FOB	113.00	137.00	93.00	125.00		253.50	N/A		140.00	N/A	430.00			121.67		420.00
SK (4)	June 19, 2006		104.50	135.00	91.50	125.00		260.50	N/A		135.00	N/A	430.00			120.67		420.00
Winnipeg	June 26, 2006	FOB	146.00	140.00	113.00	119.00		236.00	N/A		260.00	1087.50	515.00					380.00
MB (4) (9)	June 19, 2006		146.00	140.00	113.00	119.00		243.50	N/A		260.00	1087.50	515.00					380.00
Thunder Bay	June 26, 2006	In-Store	136.00	N/A	107.50													
ON (8)	June 19, 2006		137.00	N/A	107.48													
Lake Ports	June 26, 2006	On Board				103.22												
USA (3)	June 19, 2006	Vessel				115.21												
Bay Ports	June 26, 2006	In-Store	162.50	210.00	132.00													
ON	June 19, 2006		163.50	210.00	132.00													
Chatham	June 26, 2006	Track				96.36												
ON	June 19, 2006					101.25												
Toronto	June 26, 2006	N/A					FOB				200.67		515.00	N/A	N/A		268.00	355.00
ON (5)	June 19, 2006										171.00		395.00	N/A	N/A		268.00	330.00
Hamilton	June 26, 2006	N/A						230.93	N/A									
ON	June 19, 2006							235.78	N/A									
Eastern	June 26, 2006	FOB				113.50												
ON	June 19, 2006					102.28												
London	June 26, 2006	FOB												340.00	75.00			
ON	June 19, 2006													340.00	75.00			
Port Colborne	June 26, 2006	FOB								48.50				340.00	75.00			
ON	June 19, 2006									44.50				340.00	75.00			
Cardinal	June 26, 2006	FOB												345.00	90.00			
ON	June 19, 2006													345.00	90.00			
Montreal	June 26, 2006		165.00	160.00	143.00	125.00		245.41	179.28	78.33	175.00	850.00	416.00	N/A	N/A		270.00	360.00
QC (5)	June 19, 2006		165.00	160.00	143.00	125.00	FOB	248.33	173.33	78.33	175.00	850.00	416.00	N/A	N/A		270.00	360.00
Trois-Rivières	June 26, 2006	In-Store	163.50		141.50	123.32												
QC	June 19, 2006		172.00		144.30	126.17												
St. Jean QC (2)	June 26, 2006	FOB	149.13	135.50	132.63	120.71		241.37										
St. Hyacinthe QC	June 19, 2006		153.50	139.75	133.33	121.13		244.67										
Quebec	June 26, 2006	In-Store	160.83	N/A	160.03	125.05		250.97	205.55									
QC	June 19, 2006		163.67	N/A	161.08	126.00		252.19	205.55									
Truro	June 26, 2006	Track	200.60	0.00	165.10	151.40		280.79	209.08		233.10		532.00					360.00
NS	June 19, 2006		200.60	0.00	165.10	154.18	FOB	282.47	209.08		233.10		532.00					360.00
Truro	June 26, 2006	Water	N/A	N/A	N/A	N/A												
NS	June 19, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	June 26, 2006	In-Store	181.95	N/A	N/A	156.80		298.30	244.50	297.50		0.00						
NS (6)	June 19, 2006		183.45	N/A	N/A	160.90		301.00	245.75	297.50		0.00						

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US$1.00 = CAN$ 1.1241

Closing date June 23/2006

Contact: André Doumbè Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 26, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week June 26, 2006	Last week June 12, 2006	Month ago May 29, 2006	Year Ago June 27, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	134.00	137.00	136.00	109.00
(CBOT)		Oat	202.00	186.50	180.20	155.25
(Lethbridge)		Barley	114.00	107.00	107.00	115.00
To: Bayport, ON (1)	In-store	Wheat	157.61	160.61	159.61	132.61
		Oat	N/A	N/A	N/A	N/A
		Barley	141.39	134.39	134.39	142.39
Montreal, QC (1)	In-store	Wheat	162.03	165.03	164.03	137.03
		Oat	N/A	N/A	N/A	N/A
		Barley	146.31	139.31	139.31	147.31
Moncton, NB	Truck via Halifax	Wheat	184.25	187.25	186.25	159.25
		Oat	N/A	N/A	N/A	N/A
		Barley	170.50	163.50	163.50	171.50
Truro, NS	Truck via Halifax	Wheat	178.22	181.22	180.22	153.22
		Oat	N/A	N/A	N/A	N/A
		Barley	168.00	161.00	161.00	169.00
Halifax, NS (1)	In-store	Wheat	169.28	172.28	171.28	144.28
		Oat	N/A	N/A	N/A	N/A
		Barley	154.30	147.30	147.30	155.30
Stephenville, NL	Track / Truck via Sydney	Wheat	232.63	235.63	234.63	207.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week June 26, 2006	Last Week June 12, 2006	Month Ago May 29, 2006	Year Ago June 27, 2005
Corn						
From: US Lake Port	On Board Vessel		103.22	107.66	112.03	113.06
To: Montreal, QC (1)	In-store		122.26	126.70	131.07	132.10
From: Chicago (IL)	Track		105.43	104.18	110.72	114.88
To: Montreal, QC	Track		134.29	133.04	139.58	143.74
From: Chatham, ON	Track		96.36	105.06	115.60	114.92
To: Montreal, QC	Track		120.23	128.93	139.47	138.79
Soymeal 48% Protein						
From: Hamilton, ON			230.93	227.74	232.92	255.81
To: Montreal, QC	Track		255.26	252.07	257.25	280.14
Moncton, NB	Track		274.01	270.82	276.00	298.89
Truro, NS	Track		277.23	274.04	279.22	302.11
Stephenville, NL	Track / Truck via Sydney		325.86	322.67	327.85	350.74

1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

25% tax on the freight for non-Mercosur countries practically excludes Canadian wheat from being priced competitively with Argentinean wheat. In addition, the closer proximity, as well as less expensive (lower quality) wheat, gives Argentina a geographical advantage in the price sensitive Brazilian market. For 2005-2006, Canadian wheat exports to Brazil are forecast at 40,000 t. For 2006-2007, Canadian wheat exports to Brazil are forecast to be similar to 2005-2006.

Corn

Brazil is the third largest corn producer in the world only behind the US and China. A major portion of the corn crop is consumed by the large livestock industry. The poultry industry accounts for about 60% of the domestic feed use. The corn crop is predominantly non-genetically modified (GM).

For 2005-2006, corn production increased to 41.0 Mt, 17% above 2004-2005 due to higher harvested area and yields. Imports are forecast at 0.5 Mt, mostly from Paraguay and Argentina. Brazilian corn exports are estimated at 1.5 Mt, up from the previous year but much lower than before, as Brazilian export prices are not competitive with US and Argentine free on board (FOB) prices, partially due to the relative strength of the *real* against the US dollar.

For 2006-2007, area seeded to corn is forecast to fall marginally and, assuming average yields, production is forecast to decrease marginally to 40.5 Mt. However, due to large carry-in stocks and an expected rise in imports, Brazilian corn supplies are forecast to rise marginally, while exports are projected to drop by 50% to 1.0 Mt

Barley and Oats

For 2005-2006, Brazilian barley imports are estimated at 150,000 tonnes (t) and are consumed domestically as feed. For 2006-2007, Brazilian barley imports are forecast to be similar to 2005-2006.

Canadian malt exports to Brazil have decreased significantly since 1997-1998, when exports reached the highest of 114,000 t. Competition from cheaper, lower quality EU malt and preferential treatment for Mercosur countries are the major factors contributing to declining market shares for Canada. For 2005-2006, Canadian malt exports to Brazil are expected to be similar to 2004-2005 at 27,000 t. For 2006-2007, Brazilian malt imports are forecast to be similar to 2005-2006 with Canadian malt exports to Brazil unchanged from last year.

Brazilian oat production for 2006-2007 is projected at 0.5 Mt, down marginally from 2005-2006. The majority of oats used in Brazil are also consumed as feed, with very little used for food use.

Soybeans

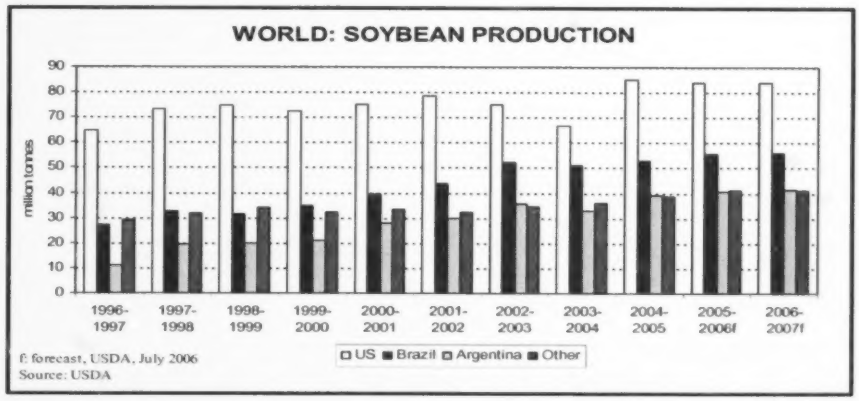
Brazil is one of the largest exporters of soybeans, soymeal and soyoil with over 30% of the market share. The use of soybeans and soybean products in animal feed has been a major factor in the increase of soybean production. Brazilian exports of these three commodities have risen from 17 Mt to over 40 Mt in the last 10 years.

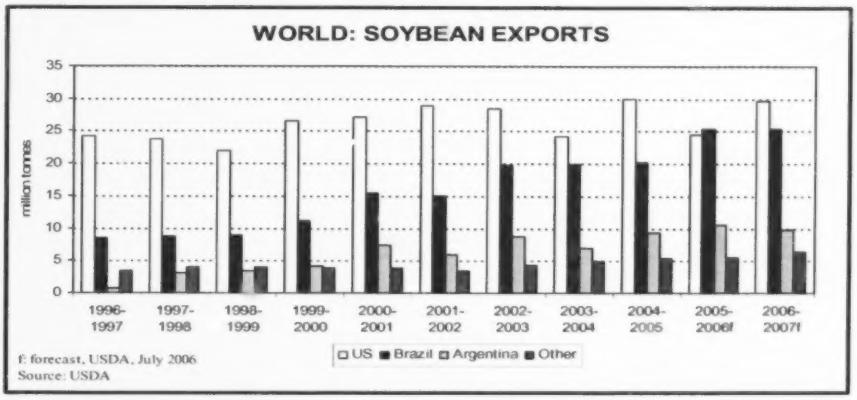
It is expected that in 3-5 years, Brazil will be the world's largest producer of soybeans. Lower production costs give Brazil a strong competitive edge in international markets for soybeans. The cost of production in Brazil is much lower than in Canada and the US and has contributed to Brazil's increase in market share. Currently, this advantage is partially offset by higher transportation and marketing costs to export destinations.

Brazil plays an important role in determining soybean prices. Brazil produces about 25% of world's soybean production. Between Brazil and Argentina, they account for about 55% of the world market for soybean exports.

Brazil is one of the few major soybean producers that have officially banned the use of GM varieties. However, producers would like to have the option to plant both GM and non-GM soybeans so they can capture cost savings and improve productivity. Brazil feels that it will lose access to markets in Europe and Asia, if GM soybeans are approved for commercial use.

For 2005-2006, soybean production increased to a record 55.0 Mt, 4% above 2004-2005 due to higher yields. As a result, Brazilian soybean exports for the October-September marketing year are currently estimated at a record 25.3 Mt, up 26% from 2004-2005. The main markets for Brazilian soybeans are China and the EU. The appreciation of the *real* and the high transportation and handling costs have depressed soybean prices in interior producing areas to levels below production costs.





For 2006-2007, area seeded to soybeans is expected to fall for the second consecutive year, in response to low prices from burdensome domestic stocks and large US supplies. This, combined with high costs for fungicides required to control the spread of the Asian Rust Fungus is expected to cause producers to shift area out of soybeans and into rice. However, Brazilian soybean production is forecast to increase marginally to 56.0 Mt, due to higher yields. Soybean exports are forecast to fall marginally to 25.4 Mt.

Soymeal

The domestic demand for soymeal has increased in line with the expansion in the poultry sector. Approximately 65% of domestic soymeal consumption goes to the poultry sector and 25% goes to pork production. Generally, about 60-65% of the soymeal produced is exported, mainly to Japan and China.

For 2005-2006, domestic crush of soybeans is estimated at 27.5 Mt, down 6% from last year. Soymeal production is estimated at 21.2 Mt, marginally below the record production of 2004-2005. With lower total supplies, soymeal exports are projected at 12.4 Mt, compared to 14.2 Mt in 2004-2005.

For 2006-2007, soybean crush and soymeal production are projected to rise to 28.0 Mt and 21.7 Mt, respectively. Exports are forecast to increase marginally to 12.5 Mt.

Soyoil

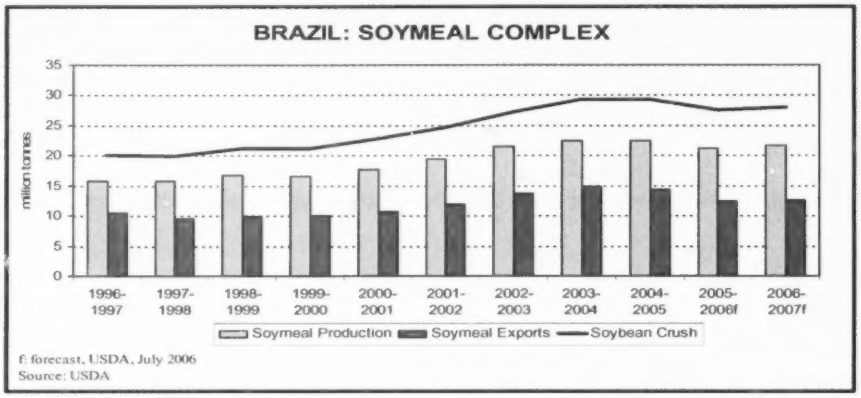
Soyoil and canola oil are substitutes in the vegetable oil market. As Brazilian soybean exports increase, the world price of soybeans falls, depressing the price of canola. Brazilian soyoil production and exports have been flat during the last 4 years, at about 5.5 Mt and 2.4 Mt, respectively.

For 2005-2006, soyoil production is projected to fall by 6% to 5.1 Mt and exports are forecast to decrease by 13% to 2.1 Mt.

For 2006-2007, soyoil production is forecast to increase to 5.2 Mt, while exports are forecast to be similar to 2005-2006.

Pulse and Special Crops

Brazil is the second or third largest, depending on the year, market for Canadian **canary seed**. In 2004-2005 Canadian exports were 24,000 t and are expected to increase to 25,000 t in 2005-2006.



f: forecast, USDA, July 2006
Source: USDA

For 2006-2007, Canadian exports are forecast to remain at about 25,000 t. Although Argentina is the preferred supplier of canary seed to Brazil because of the free trade agreement, its production is only about 18,000 t. Therefore, Canada supplies most of the canary seed used in Brazil.

Canada exported 8,000 t of **dry peas** to Brazil in 2004-2005. Exports for 2005-2006 and 2006-2007 are expected to be similar to 2004-2005. Brazil imports green peas for food use. Imports have been relatively stable during the past 5 years at about 22,000 t. Argentina is the main supplier.

Canada exported 13,000 t of **lentils** to Brazil in 2004-2005. Exports for 2005-2006 and 2006-2007 are expected to be similar to 2004-2005. Brazil imports mostly large green lentils. Nearly all of Brazilian lentil imports were from Canada. Imports have been relatively stable.

Canada exported 1,400 t of **chickpeas** to Brazil in 2004-2005. Exports for 2005-2006 are expected to be similar to 2004-2005, but increase to 2,000 t in 2006-2007, as Canadian production increases. Brazil imports mostly large kabuli chickpeas. Imports have been relatively stable during the past 5 years at about 4,000 t. Mexico and Canada are the main suppliers.

Market Prospects

Canada is expected to continue to support existing exports of Canadian agricultural products to Brazil while exploring new opportunities with agricultural organizations that have targeted Brazil as potential market. Canada will continue to explore niche opportunities to reach Brazil's consumer market for agricultural foods.

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Electronic version available at www.agr.gc.ca/mad-dam/

ISSN 1207-621X
AAFC No. 2081/E

Bi-weekly Bulletin is published by the:
Market Analysis Division,
Marketing Policy and
Environment Policy Directorate
Strategic Policy Branch
Agriculture and Agri-Food Canada.
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To receive a free e-mail subscription to Bi-weekly Bulletin, please send your request to bulletin@agr.gc.ca.

Issued also in French under title:
Le Bulletin bimensuel
ISSN 1207-6228
AAFC No. 2081/F

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While the Market Analysis Division assumes responsibility for all information contained in this bulletin, we wish to gratefully acknowledge input from the following:
Canadian Food Inspection Agency, Canadian Wheat Board, Market and Industry Services Branch (AAFC)